

Message Text

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PAGE 01 COLOMB 03869 260348Z
ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
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E.O. 11652: N/A
TAGS: EFIN, CE
SUBJECT: SRI LANKAN DELEGATION TO IMF/WORLD BANK ANNUAL MEETING

REF: (A) STATE 203590, (B) COLOMBO 3062

1.EMBOFF SPOKE WITH DR. L.E. N. FERNANDO, ADDITIONAL SECRETARY, MINISTRY OF FINANCE AND PLANNING, REGARDING SRI LANKAN PARTICIPATION IN SUBJECT MEETING. FERNANDO, WHO WILL BE PART OF THE GOVERNMENT OF SRI LANKA (GSL) DELEGATION AND IS RESPONSIBLE FOR PREPARATION OF POSITION PAPERS, SAID THE DELEGATION WILL BE HEADED BY FINANCE MINISTER RONNIE DE MEL: ALTERNATE HEAD WILL BE CENTRAL BANK GOVERNOR HERBERT TENEEKOON.

2. FERNANDO SAID HE WAS NOT AWARE OF ANY IMPORTANT PROPOSALS TO BE MADE IN THE PLENARY OR WITH SENIOR BANK/FUND OFFICIALS, NOR WERE THERE ANY MAJOR ISSUES TO BE RAISED WITH THE US DELEGATION. AS THE ANNUAL MEETING IS MORE THAN A MONTH AWAY, HOWEVER,FERNANDO SUGGESTED THAT EMBOFF CONTACT HIM AGAIN "IN A FEW WEEKS" TO CHECK ON LATE DEVELOPMENTS.
(EMBASSY COMMENT: GSL PREPARATION FOR INTERNATIONAL MEETINGS ARE OFTEN MADE AT THE LAST MINUTE. IT IS
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PAGE 02 COLOMB 03869 260348Z

LIKELY THAT LITTLE OR NO SERIOUS PREPARATION HAS BEEN MADE AS YET FOR THE BANK/FUND MEETING. THE EMBASSY WILL KEEP IN TOUCH WITH DELEGATION MEMBERS AND WILL REPORT FURTHER IF IMPORTANT ISSUES SURFACE.)

3. AS WASHINGTON AGENCIES ARE AWARE,THE NEW GSL, WHICH TOOK OFFICE IN JULY 1977, HAS UNDERTAKEN AN

EXTENSIVE ECONOMIC/POLITICAL REFORM PROGRAM AT CONSIDERABLE POLITICAL RISK. FOR THE PAST YEAR, THE GSL HAS WORKED TO REDUCE THE COUNTRY'S PERVASIVE SYSTEM OF SUBSIDIES. AFTER CUTTING THE RICE RATION PROGRAM IN HALF EARLY THIS YEAR, THE SUBSIDIZED PRICES OF WHEAT FLOUR, FERTILIZER, AND BUS TRANSPORTATION HAVE BEEN PUSHED GRADUALLY UPWARDS. BARRING A VIOLENT PUBLIC BACKLASH, THIS PROCESS IS EXPECTED TO CONTINUE AND ADDITIONAL PRODUCTS (E.G. KEROSENE) ARE ALSO SLATED FOR SUBSIDY REDUCTIONS. THE RESOURCES FREED BY THESE REDUCTIONS ARE TO BE DIVERTED TO DEVELOPMENT PROJECTS.

4. AS REPORTED REFTTEL B AND PREVIOUS, AN IMF TEAM IS SCHEDULED TO ARRIVE IN COLOMBO IN OCTOBER FOR DISCUSSIONS ON EXTENDED FUND FACILITY (EFF) ASSISTANCE. TO QUALIFY FOR THE EFF, THE GSL MUST HAVE PREPARED A 1979 BUDGET WHICH IS NON-INFLATIONARY AND WHICH INCREASES CAPITAL EXPENDITURES. THE GSL MUST ALSO HAVE DEVELOPED A FRANKWORK FOR SIMILAR BUDGETS IN 1980 AND 1981.

5. IN DISCUSSIONS WITH THE SRI LANKANS, THE U.S. DELEGATION MAY WISH TO MAKE THE FOLLOWING POINTS:
A. PRESIDENT JAYEWARDENE AND HIS GOVERNMENT ARE TO BE COMPLIMENTED ON THEIR COURAGE IN MAKING THE VERY DIFFICULT DECISIONS NEEDED TO PROMOTE ECONOMIC GROWTH IN ORDER TO SOLVE THE COUNTRY'S SERIOUS UNLIMITED OFFICIAL USE

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PAGE 03 COLOMB 03869 260348Z

EMPLOYMENT PROBLEM.

B. THE USG UNDERSTANDS THE NEED TO STIMULATE GREATER INVESTMENT AND GROWTH BUT HOPES THE GSL WILL, AT THE SAME TIME, BE ABLE TO MAINTAIN THE MANY NOTEWORTHY SOCIAL BENEFITS WHICH HAVE PLACED SRI LANKA SO HIGH ON THE OVERSEAS DEVELOPMENT COUNCIL'S PHYSICAL QUALITY OF LIFE INDEX.
C. THE USG ALSO APPRECIATES THE GSL'S EFFORTS TO PRESERVE AND STRENGTHEN SRI LANKA'S DEMOCRATIC TRADITIONS.
WRIGGINS

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